

SBC - Missouri Study

**Presubscribed Interexchange Carrier (PIC) Change Charge
Nonrecurring Cost Study**

2005-2008

July 2005



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Service Order
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Overview and Methodology

Purpose

The purpose of this cost study is to provide updated costs for PIC Change orders. For reference, an acronym glossary is included as a separate tab within this cost study.

Service Description

Presubscription is a procedure whereby an end user may select and designate to the Telephone Company an Interexchange Carrier (IC) to access, without dialing an access code, for interLATA calls. This IC is referred to as the end user's primary IC. A charge associated with interLATA is a PIC.

Rate Element Descriptions

Stand-alone Manual PIC Charge, Cost per Change – Initial & Additional

Stand-alone Mechanized PIC Charge, Cost per Change – Initial & Additional

Nonrecurring Cost Methodology

Activity-Based Costing is a widely used method of identifying costs. The structure of an ABC study is based on the fact that activities performed by the company consume resources, and these resources have a specifically identifiable cost. Activities, then, are used to provide services. This gives a logical, easy-to-follow flow through the costing procedure.

Activity-Based Costing uses a number of specific terms, such as *resource*, *activity*, *cost object*, and *drivers* which have simple, yet special meanings.

- A *resource* can be a piece of equipment, a labor rate, or a vendor contracted expense.
- An *activity* is an action that consumes resources. The cost of the activity is calculated based on the cost of the resources that the activity consumes, and the resource driver, or the quantity of resources the activity consumes.
- A *cost object* is a product (i.e., PIC Change).
- *Drivers* are specific units that represent quantities of activities and resources. For example, time in minutes, or orders per line may be drivers. Resource drivers are the quantity of resources consumed by an activity. Activity drivers are the number of activities necessary to provide the service.

The Basics of Activity-Based Costing are:

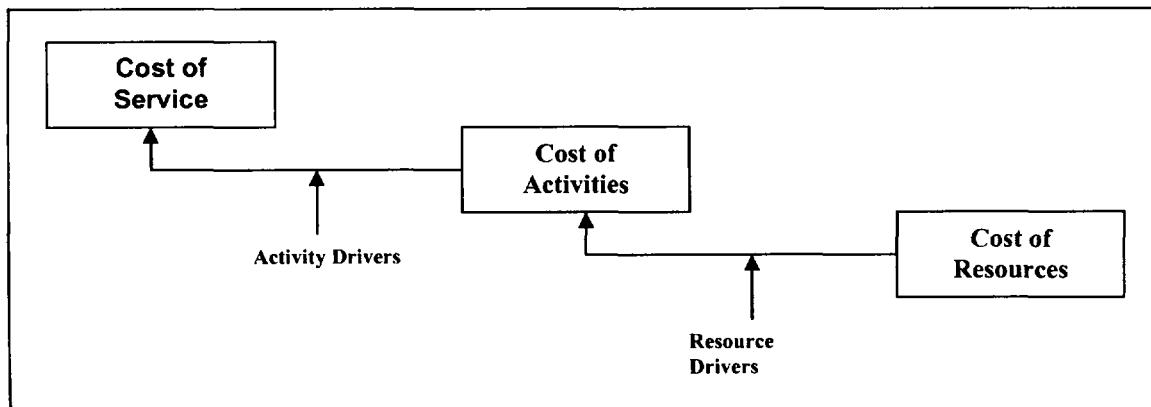
- Cost objects (i.e., services) are provided by activities.
- Activities consume resources.
- Consumption of resources drives costs.

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Figure 1 illustrates the flow of Activity-Based Costing.

Figure 1



The rate structure in SBC - Southwest consists of a PIC Change charge for the “initial” line on an order and a separate PIC change charge for each “additional” line on that same order. In order to accurately account for this, times were gathered and separate costs were calculated for PIC Changes on both “Initial” and “Additional” lines. More specifically, the SMEs were asked to provide times and activities for each the “Initial” line with a PIC change on an order and each “Additional” line with a PIC change on the same order. The total time to provide a PIC Change on an “Additional” line on the same service order is shorter than the total time to provide a PIC Change on the “Initial” line on that service order because of efficiencies achieved on a multiple line order. For example, if there are 10 lines on the same service order, the Service Representative may have to spend time pulling up the customer’s account. This time would be allocated to the “Initial” PIC Change cost because this would have to be done even on an order with 1 line. However, there is no extra time spent doing this step because of the “Additional” lines, thus no time is allocated to changing the PIC on any “Additional” lines. This methodology ensures that the efficiencies achieved on a multiple line order are recognized in the costs.

Labor Rates

The labor rate represents the cost to SBC of a single hour of labor. The labor rate is inflated (based on the Consumer Price Index) to the midpoint of the study period to make the labor cost representative of the entire study period. A more detailed discussion of labor rates and inflation factors is found later in this methodology.

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Inflation Factors

Inflation Factors are utilized to provide one cost over a multi-year period. The inflation factors are developed by using the forecast of the Consumer Price Index (CPI). The CPI represents changes in prices of all goods and services purchased for consumption by urban households. User fees (such as water and sewer service) and sales and excise taxes paid by the consumer are also included. Income taxes and investment items (like stocks, bonds, and life insurance) are not included.

Labor Rate Development Methodology

Labor rates identify the cost to the firm of consuming a particular resource—an hour of labor. Labor rates begin with a basic hourly wage or salary, and then include costs directly caused by labor that are not captured in the basic wage. These other direct labor costs include:

- break time and/or tour length costs,
- paid absence costs,
- special payments such as team awards and recognition,
- payroll taxes, pension costs, benefit costs,
- support assets, including capital costs associated with support assets
- Other direct costs such as travel and training, and clerical support and supervision.

Labor rates are developed at the proper level of detail to provide accurate costs for specific activities. First, SBC looks at specific groups of function codes (which designate a specific job function) or activity codes (which designate a specific job activity). These function/activity codes are part of SBC's functional accounting system used to report expenses company-wide. For example, 21XX is the group of all wages and expenses charged to function codes or activity codes that begin with "21", which in this example represents Operator Services functions and activities.

Within the specific group, SBC develops labor rates by Market Zone (for management employees) or Wage Category (for non-management employees). The Market Zone and Wage Category are specific job classifications that determine how much the company pays for a particular job.

The Labor rates in this study begin with an average wage per hour from payroll records. SBC derives relationships of expenses to wages, or expenses to hours worked, to develop labor factors or loadings that it then applies to basic wages to produce total hourly labor cost. All base labor rates in this study represent calendar year 2003. If SBC did not have current labor base rates for a particular state or job title, the most recent labor rate available was adjusted by bringing the basic wage portion of the labor rate current and updating the benefit factor using the most recent data available.

For more information, see separate Labor Rate Development documentation.

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Cost Study Assumptions and Parameters

- LRIC Methodology
- Slamming costs are included in the PIC change charge
- Study period is 2005 – 2008
- Labor Rates are base year 2003 adjusted to 2006, which is the midpoint of the planning period (2005 – 2008)

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Results						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
		Total Cost Source:	Overhead Factor Sources:	Total Rate	Average Lines Per Customer	Total Rate
Line	Cost Element	Bill of Costs	Input	$(E)=(C)*(1+D)$	Input	$((E \text{ Initial} \times F \text{ Initial}) + (E \text{ Add} \times F \text{ Add})) / (F \text{ Initial} + F \text{ Add})$
1	Manual PIC / LPIC Combination, Cost per Change Initial Line On Order	\$3.48	32.17%	\$4.60	1.00	\$4.37
2	Additional Line On Order	\$1.97	32.17%	\$2.60	0.13	
3	Mechanized PIC / LPIC Combination, Cost per Change Initial Line On Order	\$1.45	32.17%	\$1.91	1.00	\$1.91
4	Additional Line On Order	\$1.45	32.17%	\$1.91	0.13	

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Bill of Costs							
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Cost Element / Activities		Initial Unit Activity Cost	Additional Unit Activity Cost	Activity Driver (Orders per Change)	Other Activity Driver	Source: Drivers	Other Activity Driver Description
Source: BOAC	Source: BOAC	Source: BOAC	Source: BOAC	Source: BOAC	Source: BOAC	Source: BOAC	Source: BOAC
Ln Manual PIC / LPIC Combination, Cost per Change							
1 Process PIC Change for "Consumer Customer Care" customer	\$3.32	\$0.94	0.52	91.3%	% manual orders worked by Consumer Customer Care		\$1.5702
2 Process PIC Change for "Global Markets" customer	\$11.66	\$1.15	0.52	1.1%	% manual orders worked by Global Markets center		\$0.0662
3 Process PIC Change for "Value" (Medium) customer	\$4.85	\$0.87	0.52	1.4%	% manual orders worked by Value Medium center		\$0.0353
4 Process PIC Change for "Value" (Small) customer	\$9.36	\$4.41	0.52	4.0%	% manual orders worked by Value Small center		\$0.1930
5 Process PIC Change for "GEM" Non-Centrex customer	\$32.94	\$8.61	0.51	0.9%	% manual orders (Non-centrex) worked by GEM center		\$0.150
6 Process PIC Change for "Signature Accounts" Non-Centrex customer	\$28.27	\$7.68	0.52	0.8%	% manual orders (Non-centrex) worked by Signature		\$0.123
7 Provide Customer Account Record Exchange (CARE) support - All PIC and/or LPIC Changes	\$48.917	NA	0.00000111	1/Total PIC/LPIC Transactions			\$0.054
8 Provide Slammer Administration support - All PIC and/or LPIC Changes	\$334.121	NA	0.00000111	1/Total PIC/LPIC Transactions			\$0.372
9 Provide Service Order Computer Cost, per PIC Change	\$0.98	\$0.98	0.43	Weighted Average PIC/LPIC Changes per Service Order			\$0.425
10 Provide PIC IT Cost, per PIC Change	\$0.46	\$0.46	NA	NA			\$0.460
11 Provide IT Implementation Cost, per PIC Change	\$0.03	\$0.03	NA	NA			\$0.034
12 Total Cost > SUM [LN 1....11]							\$3.48
							\$1.97

Mechanized PIC / LPIC Combination, Cost per Change

13 Provide Customer Account Record Exchange (CARE) support - All PIC and/or LPIC Changes	\$48.917	\$48.917	NA	0.00000111	1/Total PIC/LPIC Transactions	\$0.054	\$0.054
14 Provide Customer Account Record Exchange (CARE) support - Mechanized	\$20.051	\$20.051	NA	0.00000500	1/Total Mechanized PIC/LPIC Transactions	\$0.100	\$0.100
15 Provide Slammer Administration support - All PIC and/or LPIC Changes	\$334.121	\$334.121	NA	0.00000111	1/Total PIC/LPIC Transactions	\$0.372	\$0.372
16 Provide Service Order Computer Cost, per PIC Change	\$0.98	\$0.98	0.43	Weighted Average PIC/LPIC Changes per Service Order		\$0.425	\$0.425
17 Provide PIC IT Cost, per PIC Change	\$0.46	\$0.46	NA	NA		\$0.460	\$0.460
18 Provide IT Implementation Cost, per PIC Change	\$0.03	\$0.03	NA	NA		\$0.034	\$0.034
19 Total Cost > SUM [LN 13....18]						\$1.45	\$1.45

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Bill of Activity Costs

(A)	(B)	(C)	(D)	(E)	Unit Resource Cost (\$/hr)	Source: BORC	Resource Driven Minutes (Initial)			Percent Occurrence	Initial Resource Cost (\$=E*G*F*H)	Additional Resource Cost (\$=E*G*F*H)
							(F)	(G)	(H)			
Activities / Resources												
1	Activities / Resources	Workgroup	Job Title	Source: BORC	Minutes (Initial)	Source: Impact	Source: Input	Source: Impact	Source: Input	Source: Impact	Source: Input	
<i>Process PIC Change for "Consumer Customer Care" customer</i>												
1	Receive request from customer via the IVR. Rep greets the customer, obtains telephone number, and determines customer request is for a change in PIC/LPIC.	Consumer	Service Rep	\$56.22	0.50	0.00	100.00%	0.47	0.00	0.47	\$0.00	
2	If customer alleges SLAM, rep transfer to SCRT and drop off call.	Consumer	Service Rep	\$56.22	0.75	0.00	5.00%	0.04	0.00	0.04	\$0.00	
3	Service rep accesses account in Dashboard.	Consumer	Service Rep	\$56.22	0.50	0.00	100.00%	0.47	0.00	0.47	\$0.00	
4	Service rep accesses Enhanced EASE to make changes to PIC/LPIC.	Consumer	Service Rep	\$56.22	0.50	0.00	100.00%	0.47	0.00	0.47	\$0.47	
5	Service rep receives entire order with customer.	Consumer	Service Rep	\$56.22	2.00	0.50	100.00%	1.87	0.00	1.87	\$0.47	
6	SORD will verify against Calibrus for a match against the TPA record locator number. Telephone number and order number. If correct, the order will distribute in SORD.	Consumer	Service Rep	NA	NA	NA	NA	NA	NA	NA	\$0.00	
7	Unit Activity Cost > SUM (LN 1.....6)										\$3.32	
8	Customer calls in to request PIC/LPIC change or faxes or emails request to center. Customer records are reviewed.	Global Change	Service Rep	\$57.55	1.15	0.00	100.00%	1.10	0.00	1.10	\$0.00	
9	Customer requested to fax or email request.	Global Change	Service Rep	\$57.55	1.15	0.00	100.00%	1.10	0.00	1.10	\$0.00	
10	Fax/email requests. Copies are pulled and fax cover sheet is prepared that will be returned to the customer with order info.	Global Change	Senior Records Clerk	\$49.82	2.00	0.00	100.00%	1.66	0.00	1.66	\$0.00	
11	Clerk logs in fax/email for tracking.	Global Change	Senior Records Clerk	\$49.82	1.00	0.00	100.00%	0.83	0.00	0.83	\$0.00	
12	Clerk distributes request to service rep.	Global Change	Senior Records Clerk	\$49.82	1.00	0.00	100.00%	0.83	0.00	0.83	\$0.00	
13	Service rep accesses BEASE/SORD to place order using the appropriate screen for PIC and LPIC.	Global Change	Service Rep	\$57.55	1.20	1.20	100.00%	1.15	0.00	1.15	\$1.15	
14	Service rep ends order and fills out the cover sheet to be sent to customer to verify completion of order numbers.	Global Change	Service Rep	\$57.55	2.00	0.00	100.00%	1.92	0.00	1.92	\$0.00	
15	Cover sheet is faxed back to customer and filed and/or email confirmation sent to customer.	Global Change	Service Rep	\$57.55	3.00	0.00	100.00%	2.88	0.00	2.88	\$0.00	
16	Access SORD and bring up error and review.	Global Change	Service Rep	\$57.55	1.00	0.00	5.00%	0.05	0.00	0.05	\$0.00	
17	Correct Error and submit order.	Global Change	Service Rep	\$57.55	3.00	0.00	5.00%	0.14	0.00	0.14	\$0.00	
18	Unit Activity Cost > SUM (LN 8....17)										\$11.66	
											\$1.15	

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Bill of Activity Costs						
<i>Process PIC Change for "Value" (Medium) customer</i>						
19 Answer call and acknowledge customer request.	Value (Medium)	Service Rep	\$52.19	0.50	0.00	100.00%
20 If cust has been slammed service rep transfer to dept that handles slams	Value (Medium)	Service Rep	\$52.19	1.50	0.00	5.00%
Clarify request; PIC/LPIC or both; negotiate telephone numbers where changes are to be made. Validate availability of carrier(s). Access boss to Review account for pending orders to determine impact.	Value (Medium)	Service Rep	\$52.19	4.00	1.00	100.00%
21 changes are to be made. Validate availability of carrier(s). Access boss to Review account for pending orders to determine impact.	Value (Medium)	Service Rep	\$52.19	1.00	0.00	100.00%
22 Release order.	Value (Medium)	Service Rep	\$52.19	1.00	0.00	100.00%
23 Unit Activity Cost > SUM (LN 19,...,22)					\$4.85	\$0.87
<i>Process PIC Change for "Value" (Small) customer</i>						
24 Answer call and acknowledge customer request.	Value (Small) Change	Service Rep	\$59.53	0.50	0.00	100.00%
25 Clarify request; PIC/LPIC or both; determine telephone numbers where changes are to be made.	Value (Small) Change	Service Rep	\$59.53	1.00	0.50	100.00%
Access account in BOSS or Dashboard. BOSS/Dashboard returns the account record to rep; Rep verifies account information and reviews account for pending orders to determine impact. Validate availability of carriers.	Value (Small) Change	Service Rep	\$59.53	3.00	1.00	100.00%
26 If customer alleges a slam, rep refers to the SCRT team to issue corrective order to switch back & issue adjustments in BOSS as applicable.	Value (Small) Change	Service Rep	\$59.53	1.00	0.00	2.00%
27 If customer has not been slammed and does not have slamming protection on the account, the rep opens order in BEASE with the applicable PIC request.	Value (Small) Change	Service Rep	\$59.53	2.00	1.00	95.00%
28 Recap all elements of the order & offer additional assistance. Note 29 BOSS account issued order to change PIC/LPIC from/to, due date & order number, release order to SORIC.	Value (Small) Change	Service Rep	\$59.53	3.00	2.00	100.00%
30 Unit Activity Cost > SUM (LN 24,...,29)					\$9.36	\$4.41

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Bill of Activity Costs						
<i>Process PIC Change for "GEM" Non-Centerx customer</i>						
31 Answer call or receive Web/MOM& acknowledge request from biz customer thru ACD lines to change PIC/LPIC	Signature/GEM	Service Rep	\$56.07	2.00	1.00	100.00% \$1.87 \$0.93
32 or both Confirm carrier availability and coding. Check for pending order activity	Signature/GEM	Service Rep	\$56.07	5.00	2.00	100.00% \$4.67 \$1.87
33 Confirm slammimg protected or not and get permission to proceed if protected. Continue if permission granted, stop order process if denied	Signature/GEM	Service Rep	\$56.07	5.00	1.00	100.00% \$4.67 \$0.93
34 If customer indicates slammimg advise of rights, issue correcting order and request adjustment. Forward for SCR/T for follow up.	Signature/GEM	Service Rep	\$56.07	5.00	5.00	5.00% \$0.23 \$0.23
35 Access account in BOSS.	Signature/GEM	Service Rep	\$56.07	2.00	1.00	100.00% \$1.87 \$0.93
36 Issue change orders thru BEASE or send Complex orders to be typed by SOW.	Signature/GEM	Service Rep	\$56.07	2.00	1.00	100.00% \$1.87 \$0.93
37 Review order with customer and note BOSS of order number, due date, old & new PIC/LPIC.	Signature/GEM	Service Rep	\$56.07	4.00	1.00	100.00% \$3.74 \$0.93
38 Send confirmation letter to customer.	Signature/GEM	Service Rep	\$56.07	10.00	1.00	100.00% \$9.35 \$0.93
39 Follow up for service order completion and posting of new PIC/LPIC to customer records.	Signature/GEM	Service Rep	\$56.07	5.00	1.00	100.00% \$4.67 \$0.93
40 Unit Activity Cost > SUM (LN 31.....38)						\$32.94 \$8.61
<i>Process PIC Change for "Signature Accounts" Non-Centerx customer</i>						
41 Answer call or receive Web/MOM& acknowledge request from biz customer thru ACD lines to change PIC/LPIC	Signature/GEM	Service Rep	\$56.07	2.00	1.00	100.00% \$1.87 \$0.93
42 Clarify customer request & phone numbers involved, confirm PIC/LPIC or both. Confirm carrier availability and coding. Check for pending order activity	Signature/GEM	Service Rep	\$56.07	5.00	2.00	100.00% \$4.67 \$1.87
43 If customer indicates slammimg, advise of rights, issue correcting order and request adjustment. Forward for SCR/T for follow up.	Signature/GEM	Service Rep	\$56.07	5.00	5.00	5.00% \$0.23 \$0.23
44 Access account in BOSS.	Signature/GEM	Service Rep	\$56.07	2.00	1.00	100.00% \$1.87 \$0.93
45 Issue change orders thru BEASE or send Complex orders to be typed by SOW.	Signature/GEM	Service Rep	\$56.07	2.00	1.00	100.00% \$1.87 \$0.93
46 Review order with customer and note BOSS of order number, due date, old & new PIC/LPIC.	Signature/GEM	Service Rep	\$56.07	4.00	1.00	100.00% \$3.74 \$0.93
47 Send confirmation letter to customer.	Signature/GEM	Service Rep	\$56.07	10.00	1.00	100.00% \$9.35 \$0.93
48 Follow up for service order completion and posting of new PIC/LPIC to customer records.	Signature/GEM	Service Rep	\$56.07	5.00	1.00	100.00% \$4.67 \$0.93
49 Unit Activity Cost > SUM (LN 41.....48)						\$21.27 \$7.68